

VZCZCXYZ0030  
RR RUEHWEB

DE RUEHLP #1629 1671927  
ZNR UUUUU ZZH  
R 161927Z JUN 06  
FM AMEMBASSY LA PAZ  
TO RUEHC/SECSTATE WASHDC 9598  
INFO RUEHAC/AMEMBASSY ASUNCION 5917  
RUEHBO/AMEMBASSY BOGOTA 3234  
RUEHBR/AMEMBASSY BRASILIA 7081  
RUEHBU/AMEMBASSY BUENOS AIRES 4334  
RUEHCV/AMEMBASSY CARACAS 1625  
RUEHPE/AMEMBASSY LIMA 1618  
RUEHME/AMEMBASSY MEXICO 1723  
RUEHMN/AMEMBASSY MONTEVIDEO 3843  
RUEHQT/AMEMBASSY QUITO 4259  
RUEHSG/AMEMBASSY SANTIAGO 8807  
RUEANHA/FAA NATIONAL HQ WASHINGTON DC  
RULSDMK/DEPT OF TRANSPORTATION WASHINGTON DC  
RUCPDO/DEPT OF COMMERCE WASHINGTON DC

UNCLAS LA PAZ 001629

SIPDIS

SENSITIVE  
SIPDIS

STATE FOR EB/TRA JHORWITZ AND EB/TRA/OTP BMATTINGLEY  
STATE ALSO FOR WHA/AND LPETRONI  
STATE PASS TO FAA FOR CCAPESTANY  
STATE PASS TO DOT FOR CCOLDREN  
COMMERCE FOR JANGLIN

E.O. 12958: N/A  
TAGS: [FAIR](#) [ECON](#) [PGOV](#) [BL](#)  
SUBJECT: LLOYD SECURES INSURANCE EXTENSION

REF: LA PAZ 1518 (AND PREVIOUS)

11. (SBU) Summary: Bolivia's national airline, Lloyd Aereo Boliviano, narrowly avoided collapse June 15 by securing a new extension on its aircraft insurance, set to expire the same day. The extension will allow the carrier to continue operating, but with board members' June 15 decision to resign en masse and control now in the hands of a workers' committee, operations will likely be sporadic at best. Four prefects' recent offer to invest \$20 million to save the airline may yield few results, and with only three aircraft, numerous flight cancellations, and deepening financial difficulties, bankruptcy may remain the most probable outcome (reftel). End summary.

12. (SBU) Bolivia's national airline, Lloyd Aereo Boliviano, narrowly avoided collapse June 15 by securing a new extension on its aircraft insurance, set to expire the same day. According to William Scarborough, Cochabamba Consular Agent and president of Lloyd's audit committee, the carrier paid part of its estimated \$600,000 debt to its insurance company and promised to pay the remainder over the next several weeks. The extension will allow the carrier to continue operating, but with board members' June 15 decision to resign en masse and control now in the hands of a workers' committee, operations will likely be sporadic at best.

13. (SBU) Earlier this week, Cochabamba Prefect Manfred Reyes Villa, along with his counterparts in Beni, Pando, and Tarija, reportedly offered to invest \$20 million to save the airline. The four governors have not released the details of their proposed plan, but according to Scarborough, negotiations with Lloyd executives may be underway. Concluding them, however, may be difficult, as Lloyd's chief executive, Ernesto Asbun, is reportedly in hiding, unwilling to reveal his whereabouts for fear of physical reprisal from airline employees blaming him for Lloyd's problems.

14. (SBU) Comment: The prefects' offer may yield few results,

and with only three aircraft, numerous flight cancellations, and deepening financial difficulties, bankruptcy may remain the most probable outcome (reftel). Lloyd has stumbled along since the February pilots' strike that initiated the crisis, but it can continue only so long. Its situation is increasingly desperate, debts continue to mount, and a viable solution is far from evident. End comment.

GREENLEE